All managers
Good Guide to Follow
Roger

COST SHARE STRATEGY

One of RJR's key merchandising strategies for 1996 is to continue cost sharing for various merchandisers and components with retailers. This strategy is extremely important and must be applied consistently throughout the country. Prior to providing detailed information about Cost Share, there are some key facts you should know:

- Cost Share is implemented when RJR is not the sole benefactor. Remember: If a retailer or competitor benefits from a fixture change, then Cost Share is appropriate.

- Majority of Cost Share activity occurs in carton outlets and involves carton merchandisers and pack merchandisers.

- RJR is cost sharing with the retailer only, not other competitive companies. Most retailers elect to pass their costs to other competitive companies, however, payment for merchandisers must come from the retailer.

- Three Cost Share situations typically exist:

  - Non-standard items
  - Retailer benefit situations
  - Competitive situations

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Source: https://www.industrydocuments.ucsf.edu/docs/nphn0000

COST SHARE STRATEGY
NON-STANDARD ITEMS

Retailers will be provided with base fixtures in 1996 and charged for additional enhancements to these fixtures:

Base Fixtures	Enhancements*
Carton Merchandiser/ Canopy (Enhanced or Standard Canopy)	– 1-carton access doors – Solid doors – Electronic Security – Beeper Security – Solid door locking system – Special color/decor (other than RJR's enhanced decor) – Night Lock-up – Rolladen Doors – Casters – Specials
Pack Merchandiser	– Security enhancements

In all cases, the enhancements mentioned above do not solely benefit RJR.

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*NOTE: Enhancement list is not all inclusive. Other items may exist that require cost share.

Source: https://www.industrydocuments.ucsf.edu/docs/nphn0000

COST SHARE STRATEGY
RETAILER BENEFIT SITUATIONS

Retailers often make requests to change existing merchandisers. Examples of retailer requests are:

- New configuration (end cap to lobby)
  - Normally when changing location of merchandisers

- Change profile (add/remove shelving)
  - Usually requested to provide competition more space

- Change existing enhancements
  - 1-carton access to solid doors
  - Add Electronic Security/Solid Door System

Since most retailer requests seldom benefit only RJR, Cost Share applies.

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Source: https://www.industrydocuments.ucsf.edu/docs/nphn0000

COST SHARE PROCEDURE

Previous pages have outlined what and when to Cost Share. However, the amount to charge varies by merchandiser/ component type, competitive situations, etc. Listed below are minimum amounts to charge by situation and merchandiser.

		% Charge (Minimum)
Non-Standard Items (New Placements)	1-carton access doors	100%
	Solid doors	100%
	Electronic Security	100%
	Beeper Security	100%
	Solid Door Locking System	100%
	Special Color/Decor	100%
	Night Lock-up	100%
	Rolladen Doors	100%
	Casters	100%
Retailer Benefit Situations (existing merchandisers)	New configurations Change profile Change existing enhancements	100%
*Competitive Situations (new and existing merchandisers)	Vertical Load	50%

*PLEASE NOTE: You may elect to charge retailer consistent with RJR share of space, i.e., RJR occupies 33% of merchandiser. Retailer is charged for the balance – 66%.

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Source: https://www.industrydocuments.ucsf.edu/docs/nphn0000

COST SHARE IMPLEMENTATION

Once you have agreed on the items to be charged to the retailer, follow the steps listed below to implement this program:

- Use SMS to determine raw cost of items
  - If ordered by diagram number, the cost will be shown in the ordering procedure
  - Use SMS function 210 to determine cost of single items
- Use total raw cost and add freight and maintenance charges (30% additional charge):

$100.00	+	$30.00	=	$130.00
Cost of item		Freight/Maintaenance (30%)		

- Complete cost share agreement (next page)
- Receive payment from account, or enter cost share plan in SIS to deduct payments.

Type	Plan	Rate	Beginning	Ending
Cost Share	A	-$130	1 /1/94	1/1/96

Please note: You must enter a negative rate (-$130), plus a beginning and ending date. Example above will deduct $130 for 1 month only.

Total amount owed RJR should be repaid within 12 months of installation.

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Source: https://www.industrydocuments.ucsf.edu/docs/nphn0000

To:

R.J. Reynolds Tobacco Company will furnish _____ the following merchandising fixtures/components:

ITEM	QUANTITY		COST		TOTAL
_____	_____	X	_____	=	_____
_____	_____	X	_____	=	_____
_____	_____	X	_____	=	_____
_____	_____	X	_____	=	_____
_____	_____	X	_____	=	_____
			TOTAL		_____

In return, _____ agrees to reimburse R.J. Reynolds Tobacco Company for the cost of these items, as defined below:

- Entire amount paid by check, within 30 days of installation. _____ amount owed.

or

- Prorated amount deducted monthly, from Merchandising Contract money earned, within 12 months of installation.

_____ + _____ = _____ + _____ = _____

(amount owed) (months) (amount deducted) (# of stores) (deduction per month, per store)

- _____ deducted for _____ months, per store.

Ownership of listed items will be as follows:

- Upon delivery retailer obtains ownership of listed items. These items will be maintained by RJR during useful life. Useful life will be determined in the sole judgement of RJR.

_____ _____

Retailer Signature RJR Representative

_____ _____

Date Date

SALES TAX EXEMPTION CERTIFICATE

I HEREBY CERTIFY: _____ is engaged in business as a registered retailer and is authorized to purchase tangible personal property without the payment of sales tax for the purpose of resale. The above described merchandising fixtures/components are purchased for the sole purpose of resale. However, in the event any of the described property is used or consumed in such a manner as to render it taxable to me, it is understood that I am required by the sales and use tax laws of my state to report and pay the tax.

DATE: _____

RETAIL SELLERS PERMIT NUMBER: _____ STATE OF: _____

AUTHORIZED SIGNATURE: _____

TITLE: _____

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Source: https://www.industrydocuments.ucsf.edu/docs/nphn0000

COST SHARE STRATEGY
COMPETITIVE SITUATIONS

Situations may arise where competition demands vertical load on RJR Pack and/or Carton merchandiser. If you elect to allow this to occur, RJR should be compensated since up to 50% of the advertising and prime space has been relinquished. In these instances, no less than 50% of the cost of the merchandiser should be recouped. You should also consider reducing your contractual payments to compensate for the reduction of presence on the merchandiser.

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Source: https://www.industrydocuments.ucsf.edu/docs/nphn0000

COST SHARE STRATEGY MISCELLANEOUS

In some cases, RJR may have the opportunity to Cost Share on Retailer or Competitive merchandisers. This can only be done with RM/AVP approval. Special care must be taken to ensure RJR fixture standards are not compromised and that RJR's cost on the fixtures are not higher than on our own comparable fixture. Should this opportunity arise, please consult your RM and merchandising contact for details.

Source: https://www.industrydocuments.ucsf.edu/docs/nphn0000